



Australian Bureau of Statistics

1350.0 - Australian Economic Indicators, 1992

ARCHIVED ISSUE Released at 11:30 AM (CANBERRA TIME) 18/10/1992

1992 Feature Article - State Accounts: Trends in State and Territory Economic Activity

This article was published in Australian Economic Indicators September 1992 issue on 1 September 1992.

INTRODUCTION

The national accounts provides an overall measure of production in the Australian economy and the flow of incomes within our economy and overseas. While the national accounts at the Australia level continue to be of prime importance for economic analysis and policy advising, in recent years there has been increasing demand for broad-based data that would assist the analysis of economic activity at the sub-national (State) level. (In this paper, "State" is used to refer to State and Territory.) Over the past few years, the ABS has responded to this demand with the incremental development of major national accounting aggregates dissected by State, on both a quarterly and an annual basis.

Income-based estimates of gross State product (GSP(I)) and domestic final demand and their major components are published on an annual basis. The latest issue of Australian National Accounts: State Accounts (cat. no. 5220.0) covers the years 1979-80 to 1990-91. It also contains estimates of household income and a number of other national accounting aggregates dissected by State. The estimates are a State decomposition of those published for Australia in Australian National Accounts: National Income and Expenditure (cat. no. 5204.0). Quarterly estimates by State for wages, salaries and supplements, private final consumption expenditure and private gross fixed capital expenditure are published up to the current period in the quarterly publication, Australian National Accounts: National Income and Expenditure (cat. no. 5206.0).

As a further major development in Australian national accounting, ABS intends to extend the series available quarterly by State to include GSP(I). This will be released in a new publication shortly after the release of the quarterly national accounts. The first issue is due for release on 6 May 1993 and will contain data up to the December quarter 1992.

This paper presents an overview of individual State and Territory economies based on an analysis of some of the major statistics published recently in the 1990-91 issue of State Accounts. The analysis relates to the years 1979-80 to 1990-91.

CONTRIBUTIONS TO NATIONAL PRODUCTION

Table 1 shows State shares of GDP(I), their shares of the national population and GSP(I) per head of mean population for 1990-91.

TABLE 1. CONTRIBUTIONS TO AUSTRALIAN PRODUCTION, 1990-91

	Percentage shares		
	GSP(I)	Mean population	GSP(I) per head of mean population (\$)
New South Wales	35.2	34.1	22,655
Victoria	26.9	25.6	23,004
Queensland	15.2	17.1	19,522
South Australia	7.4	8.4	19,332
Western Australia	10.0	9.6	22,772
Tasmania	2.2	2.7	17,682
Northern Territory	1.1	0.9	26,749
Australian Capital Territory	2.0	1.7	26,358
Australia	100.0	100.0	21,908

GSP(I) per head of mean population is above the national average in New South Wales, Victoria, Western Australia, the Northern Territory and the Australian Capital Territory.

INDUSTRIAL COMPOSITION OF THE STATE ECONOMIES

Differences in the industrial composition of State economies can provide insights into the reasons for differences in the economic performance of States. It can also indicate possible differences in regional responses to changes in macroeconomic variables such as the exchange rate, international commodity prices and tariff and other industry assistance policies.

TABLE 2. INDUSTRY CONTRIBUTION TO GSP(fc), 1989-90

	NSW	Vic.	Qld.	SA	WA	Tas.	NT	ACT	Australia
Agriculture, Forestry, Fishing and Hunting	4	3	6	6	6	7	3	0	3
Mining	2	3	7	3	14	4	21	0	5
Manufacturing	16	20	13	19	12	18	4	3	15
Electricity, Gas and Water	3	4	4	3	3	5	3	1	4
Construction	8	8	10	8	9	7	10	5	8
Wholesale and Retail Trade	14	15	15	14	12	13	12	8	14
Transport, Storage and Communication	9	7	9	7	8	8	6	5	8
Finance etc.	12	11	8	8	10	6	6	6	10
Public Administration, Defence and Community Services	14	15	14	17	13	19	23	54	16
Recreation	5	3	5	4	4	5	4	3	4
Ownership of Dwellings	11	9	8	9	7	6	4	7	10
General Government Gross Operating Surplus	2	2	2	2	2	3	2	7	2
Total	100								

Table 2 shows the percentage contribution of each industry to gross State product at factor cost (GSP(fc)), excluding general government gross operating surplus. GSP(fc) differs from GSP(I) by excluding the value of indirect taxes paid less subsidies received, and is generally a better basis for making industry comparisons. Because 1990-91 was a drought-affected year in some States, data for 1989-90 is shown in the table. These data show:

- New South Wales, Victoria and South Australia were most reliant on manufacturing (that is, manufacturing was the largest contributor to GSP(fc)). Queensland was most reliant on retail and wholesale trade and Western Australia on mining. Tasmania, the Northern Territory and the Australian Capital Territory were most reliant on public administration, defence and community services which was the second most dominant industry in the remaining States.
- Agriculture, forestry, fishing and hunting's largest contribution to GSP(fc) was 7 per cent in Tasmania. Although mining contributed only 5 per cent at the Australia level, it was a major component of GSP(fc) in Western Australia (14 per cent) and the Northern Territory (21 per cent). The primary industries are a significant source of year-to-year volatility in GSP(fc) in all States (except for the Australian Capital Territory).
- Manufacturing was most significant in Victoria's economy (20 per cent), closely followed by the economies of South Australia (19 per cent) and Tasmania (18 per cent). It contributed only 4 per cent and 3 per cent respectively to the Northern Territory and Australian Capital Territory economies. Although not shown in Table 2, the contribution of manufacturing to the Australian economy has declined from 19.4 per cent in 1979-80 to 15.9 per cent in 1989-90. This decline was widespread across the States and Territories (except for the Australian Capital Territory where it remained at 3 per cent), but was most significant in New South Wales (down from 20 per cent in 1979-80 to 16 per cent in 1988-89) and Victoria (down from 24 per cent in 1979-80 to 20 per cent in 1988-89). Its contribution to Western Australian production declined 2 percentage points, and its contribution to the other States and Territories declined 1 percentage point.

GROWTH IN GSP(I)

It should be noted that estimates of GSP(I) are at present available in current price terms only, and therefore reflect changes in prices as well as changes in real production. It is not possible to draw conclusions about trends in the volume of production from time series analysis of current price data. However, comparisons of growth in output between States are valid if there is a high correlation between the rates of price change in the States. While this is probably a reasonable working assumption, variations between States (and variations in the mix of commodity exports in particular) may contribute to differences in price movements. For some analyses, this is probably not a major deficiency, as differences in the relative price movements of commodity exports (reflected in the current price estimates) directly affect the relative prosperity of a State in terms of income. For this reason, constant price estimates of Australian GDP adjusted for changes in the terms of trade are calculated as a memorandum item in Australian National Accounts: National Income and Expenditure (cat. no. 5206.0).

Longer term trends in GSP(I) are shown in Table 3. It shows annualised growth in GSP(I) over the years 1979-80 to 1990-91. GDP(I) for Australia is also shown for purposes of comparison. The table also includes annualised growth in GSP(I) per head of mean population and growth in mean population.

TABLE 3. ANNUALISED GROWTH, 1979-80 TO 1990-91

	GSP(I)	GSP(I) per head of mean population	Mean population
New South Wales	11.8	10.3	1.3
Victoria	11.0	9.7	1.2
Queensland	12.8	9.8	2.8
South Australia	11.5	10.3	1.1
Western Australia	13.3	10.3	2.8

Tasmania	9.9	9.0	0.8
Northern Territory	15.4	11.9	3.1
Australian Capital Territory	13.7	10.8	2.7
Australia	11.9	10.0	1.7

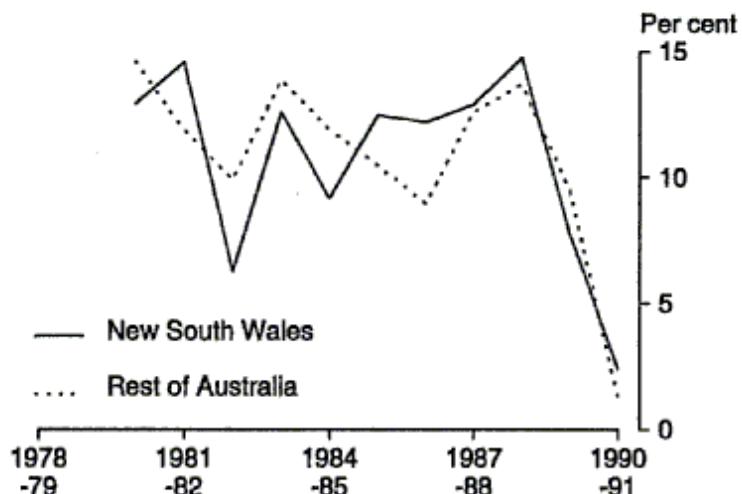
In the last decade, growth in GSP(I) was strongest in the two Territories and weakest in Tasmania, in both absolute terms and per head of mean population. While Queensland showed the fourth strongest growth in absolute terms, it was ranked sixth in growth per head of mean population.

The accompanying graphs compare current year on previous year growth in GSP(I) for each State with all the other States combined.

New South Wales

The pattern of growth in New South Wales was broadly similar to that for the rest of Australia, although it went more deeply into recession in 1982-83 (largely reflecting the severity of the drought) and was slower to recover. However, growth was relatively stronger during the mid 1980s, reflecting strong growth in GSP(fc) for the mining industry. New South Wales's share of manufacturing industry GSP(fc) has declined since 1987-88.

GRAPH 1. GROWTH IN GSP(I), NEW SOUTH WALES
Change from previous year

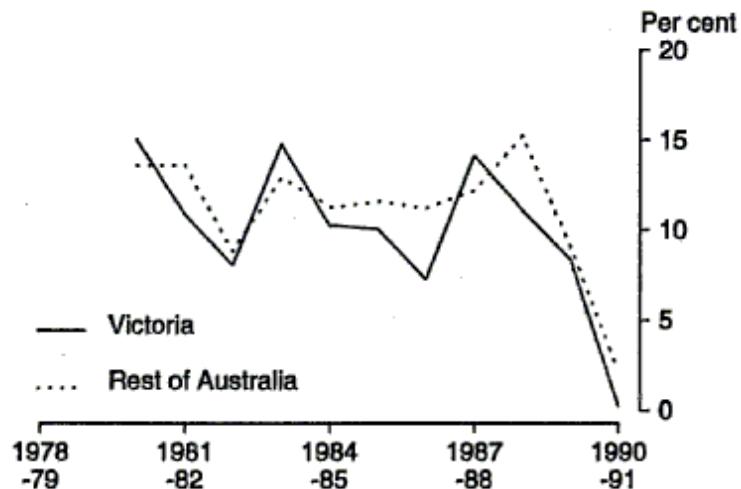


Source: ABS 5220.0

Victoria

Growth in the Victorian economy was broadly similar to that for the rest of Australia during the early to mid 1980s. However, except in 1987-88, Victoria grew at a lower rate during the remainder of the decade. This reflected a sharp decline in Victoria's share of GSP(fc) for the mining industry from 1985-86, and a decline in its share of the manufacturing and recreation and personal services industries from 1988-89. Partially offsetting these declines were rises in its shares of the electricity, gas and water industry over most of the period, and in the finance industry since 1986-87.

GRAPH 2. GROWTH IN GSP(I), VICTORIA
Change from previous year

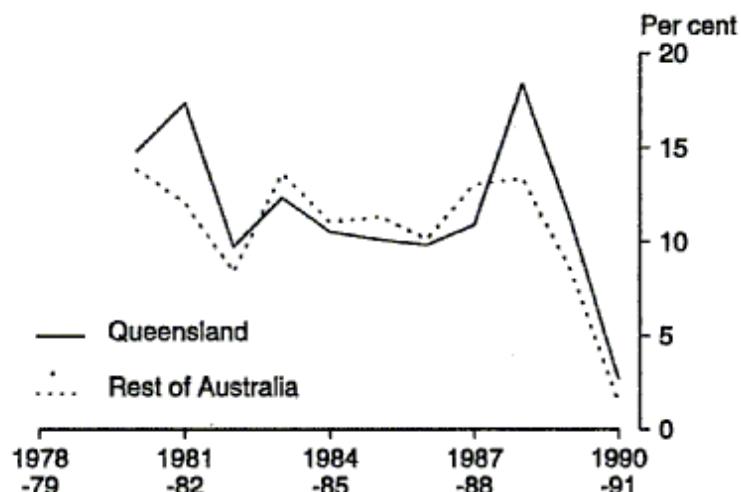


Source: ABS 5220.0

Queensland

Growth in Queensland was higher than for the rest of Australia at the beginning of the decade, slightly lower from 1982-83 to 1987-88, then higher again from 1988-89 to 1990-91. Increases in Queensland's share of GSP(I) from 1988-89 were generally widespread across industry divisions.

GRAPH 3. GROWTH IN GSP(I), QUEENSLAND
Change from previous year



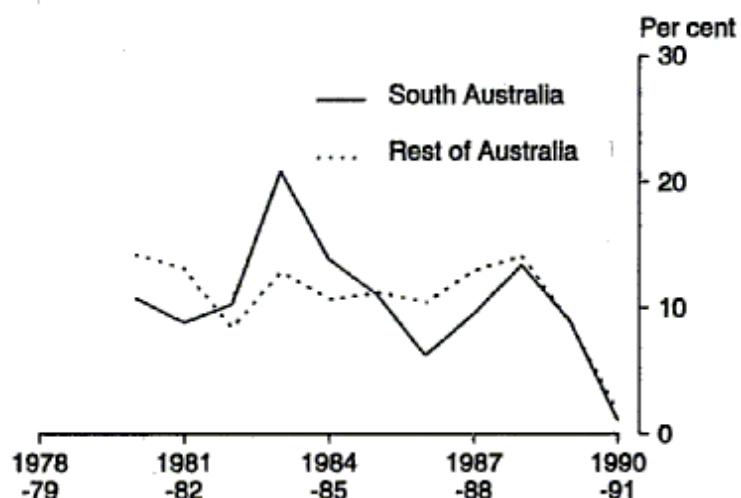
Source: ABS 5220.0

South Australia

The South Australian economy entered the 1982-83 recession earlier and started to recover earlier than the rest of Australia. Its share of GSP(fc) declined in most industries in 1980-81 and 1981-82, with the decline in the manufacturing industry being most marked. It recovered very strongly from the 1982-83 recession but grew significantly more slowly than the rest of Australia combined in 1986-87 and 1987-88, reflecting reduced shares in most industries. This reduced share of Australia's production held steady up to 1990-91, despite a significant increase in its share of manufacturing production from 1987-88.

GRAPH 4. GROWTH IN GSP(I), SOUTH AUSTRALIA

Change from previous year



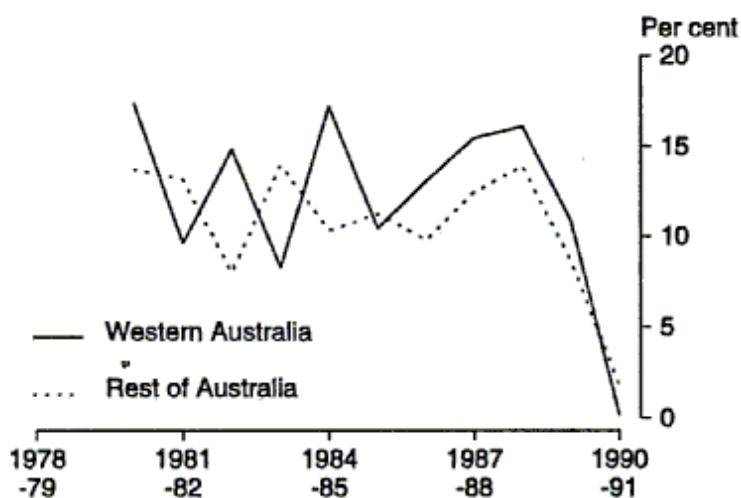
Source: ABS 5220.0

Western Australia

From 1980-81 to 1986-87, economic growth in Western Australia ran counter cyclically to the rest of Australia. This reflected the greater importance of agricultural and mineral commodities to the Western Australian economy. GSP(fc) for these industries is particularly subject to the vagaries of world prices, exchange rates and, in the case of agriculture, the weather. For example, in 1982-83 agricultural production rose in Western Australia but fell substantially in most other States because of drought. On the other hand, the breaking of the drought in 1983-84 in the eastern States coincided with dry conditions and a fall in agricultural production in Western Australia. From 1986-87 to 1989-90, the Western Australian economy grew significantly more strongly than that of the rest of Australia. This reflected stronger growth in GSP(fc) for the mining industry in particular, although there were also increases in shares for a number of other industries including manufacturing (reflecting strong increases in the value of alumina). Growth in Western Australia in 1990-91 fell more than for the rest of Australia, but from a relatively high base.

GRAPH 5. GROWTH IN GSP(I), WESTERN AUSTRALIA

Change from previous year

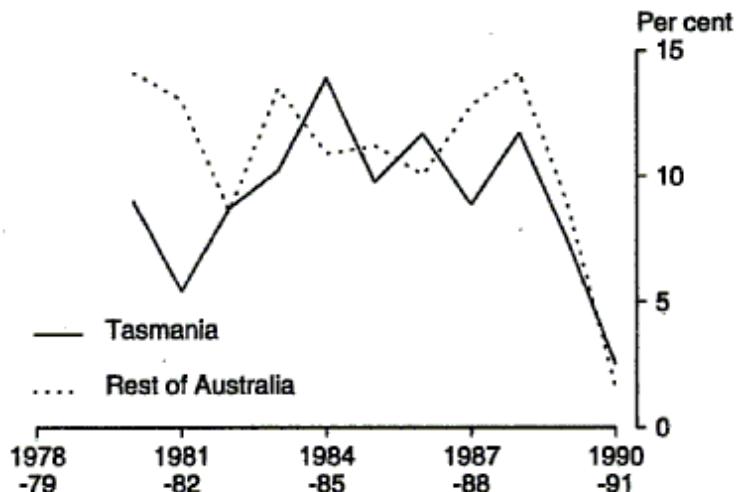


Source: ABS 5220.0

Tasmania

Economic growth in Tasmania was lower than for the rest of Australia for most of the 1980s. In part, this reflected the lower growth in population in Tasmania than in each of the other States and Territories. Tasmania's share of total GSP(I) fell from 2.6 per cent in 1979-80 to 2.2 per cent in 1990-91. There was a general trend down in Tasmania's share of GSP(fc) for construction, wholesale and retail trade, transport, storage and communication, recreation, personal and other services, and ownership of dwellings. Its share of manufacturing GSP(fc) has tended to hold steady.

GRAPH 6. GROWTH IN GSP(I), TASMANIA
Change from previous year

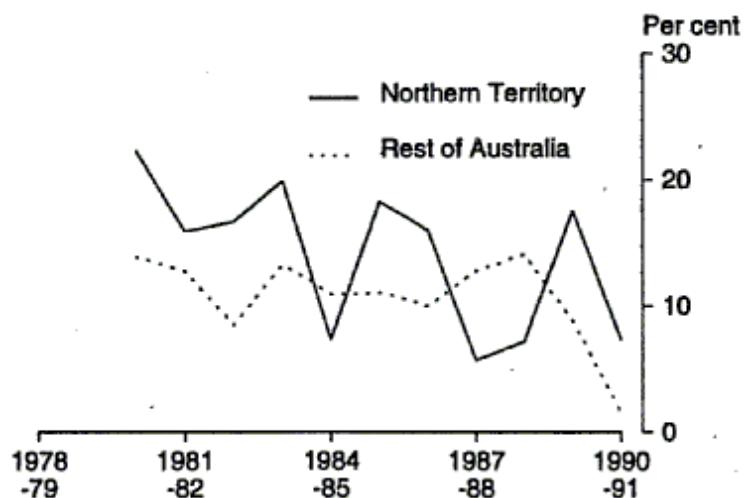


Source: ABS 5220.0

Northern Territory

The Northern Territory economy grew more strongly than that of the rest of Australia for most of the period, reflecting strong growth in the mining industry. Its year-to-year growth rate is subject to considerable volatility, because of the relative importance of mining and agricultural commodities to the Northern Territory economy.

GRAPH 7. GROWTH IN GSP(I), NORTHERN TERRITORY
Change from previous year

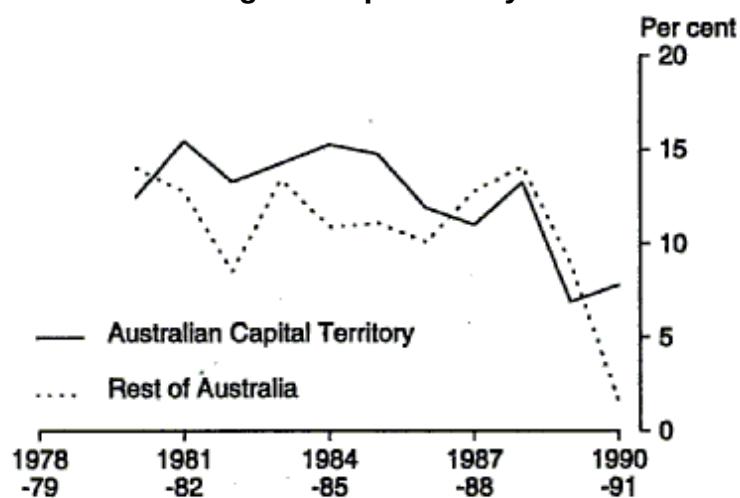


Source: ABS 5220.0

Australian Capital Territory

The Australian Capital Territory economy grew more strongly than that of the rest of Australia up to 1987-88. Although it grew more slowly during 1987-88 and 1989-90, it did not follow the rest of Australia into recession in 1990-91. The Australian Capital Territory's share of the public administration, defence and community services industries declined from 6.4 per cent in 1979-80 to 5.8 per cent in 1990-91. This was more than offset by increased shares for most other industries.

GRAPH 8. GROWTH IN GSP(I), AUSTRALIAN CAPITAL TERRITORY
Change from previous year



Source: ABS 5220.0

HOUSEHOLD INCOME

The analysis above concentrates on the level of economic production (GSP(I)) and its growth in current price terms. It does not provide a measure of incomes received by residents, because a proportion of income generated in the production process may be transferred to other States or income may be received from other States. Household income measures income received by residents (before the deduction of income taxes) from all sources, including wages, salaries and supplements, unincorporated enterprises income, interest, dividends, and personal benefit

payments such as pensions, medical benefits and unemployment benefits. Household income per head of mean population in 1990-91 is shown in Table 4.

TABLE 4. HOUSEHOLD INCOME PER HEAD OF MEAN POPULATION, 1990-91

	(\$)
New South Wales	18,865
Victoria	18,306
Queensland	15,645
South Australia	16,163
Western Australia	16,085
Tasmania	15,009
Northern Territory	17,577
Australian Capital Territory	22,477
Australia	17,624

Household income per head of mean population was highest in the Australian Capital Territory and lowest in Tasmania. Differences between the States mainly reflect differences in 'the average level of wages, salaries and supplements received per employee, although a host of other factors influenced the results, including the proportion of the population in employment, the age distribution of the population and differences in the level of dwelling rent (including that imputed to owner occupiers). Two of these factors, the level of non-farm wages, salaries and supplements per employee and the proportion of the population in employment (including in the defence forces), are shown in Table 5.

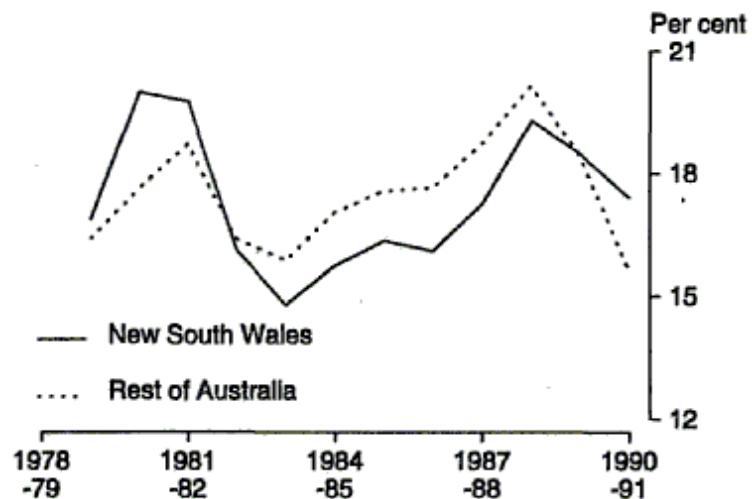
TABLE 5. WAGES, SALARIES AND SUPPLEMENTS PER EMPLOYEE AND PERCENTAGE OF THE POPULATION EMPLOYED, 1990-91

	WSS per employee (\$)	Percentage of population employed
New South Wales	30,756	45.3
Victoria	30,032	46.6
Queensland	26,578	45.4
South Australia	27,502	46.0
Western Australia	28,293	46.4
Tasmania	26,846	43.3
Northern Territory	31,437	47.7
Australian Capital Territory	36,085	54.2
Australia	29,105	45.9

PRIVATE INVESTMENT

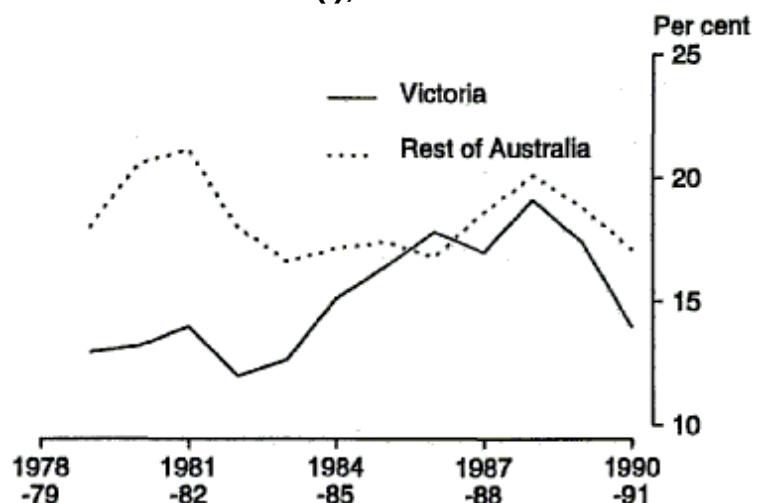
Private gross fixed capital expenditure as a percentage of GSP(I) is shown for each State in turn and for the rest of Australia in the accompanying graphs. It includes private sector expenditure on dwellings, non-dwelling construction, equipment and real estate transfer expenses.

GRAPH 9. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), NEW SOUTH WALES



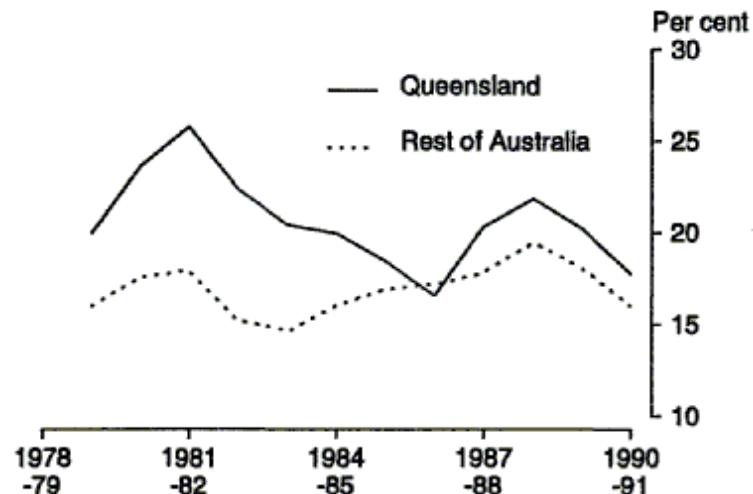
Source: ABS 5220.0 Annual data

GRAPH 10. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), VICTORIA



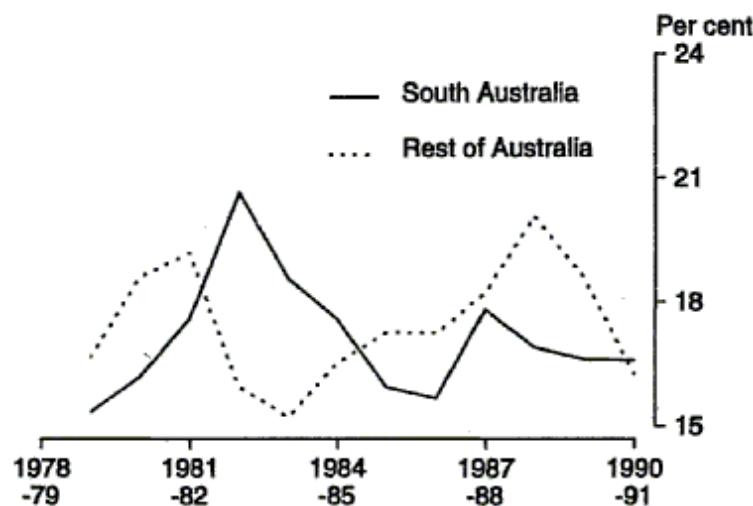
Source: ABS 5220.0 Annual data

GRAPH 11. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), QUEENSLAND



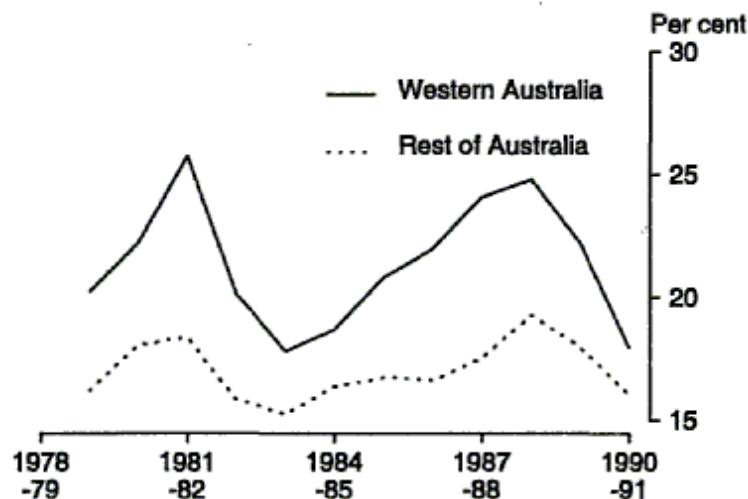
Source: ABS 5220.0 Annual data

GRAPH 12. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), SOUTH AUSTRALIA



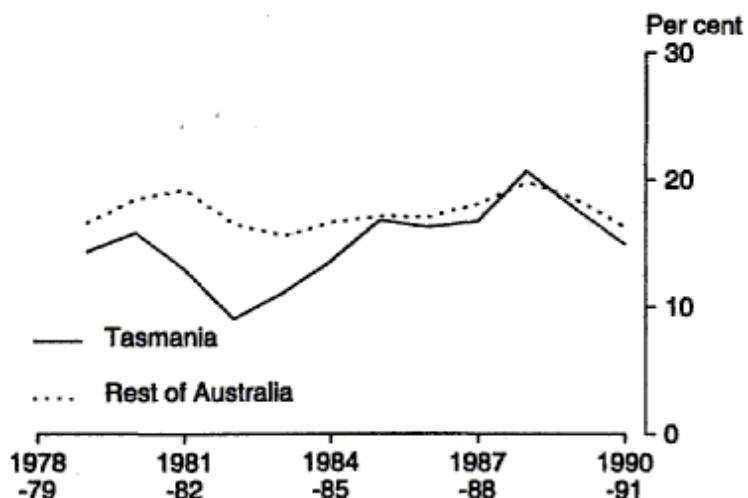
Source: ABS 5220.0 Annual data

GRAPH 13. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), WESTERN AUSTRALIA



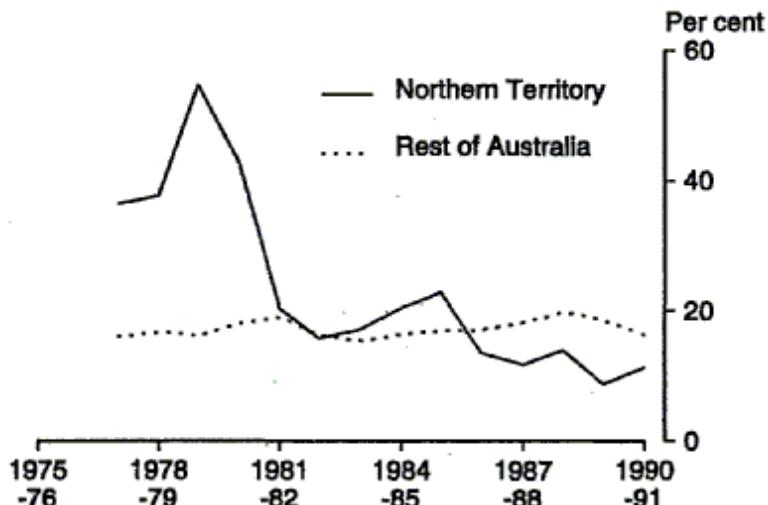
Source: ABS 5220.0 Annual data

GRAPH 14. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), TASMANIA



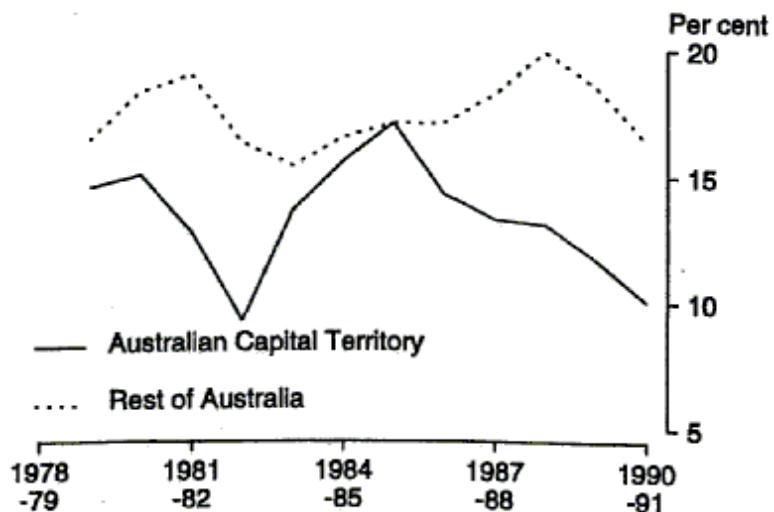
Source: ABS 5220.0 Annual data

GRAPH 15. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), NORTHERN TERRITORY



Source: ABS 5220.0 Annual data

GRAPH 16. PRIVATE GROSS FIXED CAPITAL EXPENDITURE AS A PERCENTAGE OF GSP(I), AUSTRALIAN CAPITAL TERRITORY



Source: ABS 5220.0 Annual data

The graphs show that private investment as a percentage of GSP(I), when compared with the rest of Australia, was substantially higher in Western Australia in all twelve years covered by the analysis, and higher in Queensland in eleven of the twelve years. It was lower in Victoria, Tasmania and the Australian Capital Territory in eleven of the twelve years.

Private investment as a percentage of GSP(I) peaked in most States in 1981-82 and again in 1988-89. The series for Western Australia and the Northern Territory in particular are affected by the development of major resource projects. For example, development of the second phase of the North West Shelf project in Western Australia commenced in 1985. The development of the Jabiru mine and township were significant factors in the very high figures for the Northern Territory in 1979-80 and 1980-81. The different timing of property upswings and downswings has also contributed to differences in investment levels between the States.

This feature article was contributed by Tony Johnson, National Accounts Section, ABS. The author gratefully acknowledges the valuable assistance of David Grills in preparing this article for publication.

This page last updated 18 December 2009

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